POLICY & RESOURCES COMMITTEE	Agenda Item 8 Brighton & Hove City Council

Subject:	**Governance of Value for Money Phase 4**
Date of Meeting:	**12 June 2014**
Report of:	**Catherine Vaughan, Executive Director of Finance & Resources**
Contact Officer:	**Nigel Manvell, Assistant Director – Finance** **Tel: 293104** **Email: nigel.manvell@brighton-hove.gov.uk**
Ward(s) affected:	**All**

FOR GENERAL RELEASE

1 PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The report sets out proposals for the next phase of the council's Value for Money approach, Phase 4, together with arrangements for effective governance of the programme. This is to ensure the aims of the programme are clear, and arrangements for oversight are robust and appropriate to the scale of the challenge.

1.2 The Value for Money programme is a key component of delivering the Council's Corporate Plan Priority of Modernising the Council. It is also a crucial building block for the council's budget planning for 2015/16 and its Medium Term Financial Strategy.

2 RECOMMENDATIONS:

2.1 That the committee note the scope and savings opportunities identified for phase 4 of the council's Value for Money programme.

2.2 That the committee approve the cross-party member oversight arrangements for the programme as set out in paragraph 3.18.

2.3 That the committee note the minimum one-off resources of £1.450m anticipated to be required to achieve success and the further work required to quantify additional resources for key enabling projects.

2.4 That together with £0.350m already approved for 2014/15, the committee agree:

a) the early drawdown of the 2015/16 Modernisation Fund (£0.700m) to support the programme in 2014/15;
b) the set aside of £0.400m of the 2013/14 revenue budget underspend to support the programme in 2014/15, and;
c) to set aside the remaining £1.624m resources from 2013/14 to support the programme in 2015/16.

2.5 To agree additional recurrent investment of £0.300m in the council's procurement capacity as set out in paragraph 7.3 and appendix 1.

3 CONTEXT/ BACKGROUND INFORMATION

Reviewing the current Value for Money Approach

3.1 The council's current Value for Money (VfM) programme has been running for four years and as at the end of 2013/14 has achieved cumulative savings of approximately £56m, which has generated ongoing savings of approximately £24m per annum. A further £8.9m is planned in 2014/15 bringing annual savings up to circa £33m. The programme has targeted savings on specific services, where it has had most success, but it has also included more cross-cutting initiatives which have also achieved substantial savings.

3.2 The changing financial situation for local authorities and the significantly increased scale of the anticipated budget gap over coming years has led to a need to reconsider the current programme and the approach to VfM savings. The Medium Term Financial Strategy identifies a budget gap of £100m over a 4 to 5 year period. It is important to ensure that the contribution made to meeting that gap from VfM is maximised, while also ensuring clarity about the size of the remaining budget gap that will need to be filled through more fundamental service prioritisation, re-design and commissioning and de-commissioning decisions.

3.3 To help review the VfM position, the council engaged consultants EY to undertake a 6-week, fast-paced review of the current programme to help identify opportunities and define the scope of a next phase of the programme. EY were also asked to develop a high level business case indicating the range of expected financial benefits and the costs of implementing change, as well as provide advice on structuring the programme and its governance to assure success.

3.4 EY's view was that the council's VfM programme and approach, "has succeeded in establishing itself within the organisation and has consistently delivered savings whilst maintaining or improving service delivery. This provides the council with a good platform to continue the programme to deliver broader savings and also support the modernisation priority". EY consider that directorates should continue to be challenged to deliver savings within service areas, but that opportunities to achieve greater efficiencies across the whole council exist.

3.5 In conducting the review, EY looked at the council's comparative cost and performance profile, management and organisational structure and commissioning and delivery approaches. This information was used to explore potential opportunity areas through discussions with service management and Executive Leadership Team (ELT) and then followed up by EY to look at available case studies and good practice developed elsewhere.

3.6 EY also reviewed the governance and structure of the VfM approach which identified that a clearer, more consistently applied corporate governance structure would be required to take advantage of these opportunities over the medium term. There was also a view that the resources provided to support the VfM programme were small in scale by comparison with other large corporate change programmes, which may impact on the scale of efficiencies and savings achievable. The council has worked hard to reduce the costs of central services and management overheads as part of its budget approach but there is now a risk that there is insufficient capacity to support major change programmes. Distinguishing between the costs of providing “business as usual” central services and management capacity as opposed to the costs of supporting major change needs a more sophisticated approach in future budget planning rounds. However it is important to be clear that additional investment in change must be backed by rigorous business cases, clear benefits tracking methodologies and the right political and managerial leadership to drive through the programme.

3.7 EY were also clear that VfM and Modernising the council go hand-in-hand. Their experience of working with many different types of organisations, including local government, shows that supporting and implementing different ways of working is important to being able to achieve the greatest savings and other benefits. EY describe these changes as ‘enablers’. The council’s Corporate Plan identifies key activities to support modernisation but the approach in future will be to ensure a much stronger link between the implementation and support for these ‘enablers’ and the next phase of the VfM programme.

Phase 4 VfM Opportunities and Enablers

3.8 Through an iterative approach to the exploration of opportunities with EY described above, the following programme of opportunities are considered to offer the greatest opportunities for efficiencies and savings while also supporting the modernisation of the council. EY recognised the importance of the Council’s support for major infrastructure projects in the Medium Term Financial Strategy because of links to increased council tax, business rates and the economic success of the city but concluded that this was best considered outside of the more internally focussed VfM and Modernisation agendas.

3.9 Their recommended areas of focus do not preclude the council from working on many other fronts to achieve savings and efficiencies but indicate those areas where investing additional resources and support could have the greatest return on investment. The VfM Phase 4 programme opportunities and ‘enablers’ are as follows:

VfM programme opportunities:

- Adult Social Care Modernisation
- Children’s Services VfM
- Income & debt management
- Third party spend
- Client Transport
- Cultural Services
- Workstyles

Corporate ‘enabling’ opportunities for Modernising the Council

- Digital Customer Experience (DiCE)
- People Plan & Culture Change
- Targeted ICT investment
- Business Process Improvement (BPI)
- Multi-agency integrated working

All of the above opportunities are explored in more detail in Appendix 1. The potential savings opportunities as defined in the high level business case prepared by EY and refined in subsequent weeks are given in low to high ranges which indicate potential financial benefits of between £8m to £14m per annum subject to further work to define the resources and savings possible through the above 'enablers'.

3.10 The success of each opportunity and enabler is likely to depend on a combination of the following factors:

- Effectiveness of the leadership and governance of the programme at all levels;
- Availability/funding of appropriate resources to support implementation;
- Demographic and other demand changes and trends;
- Impact of other initiatives and programmes e.g. Better Care Fund, Partnership working;
- Other factors e.g. legislative changes, welfare reform impact, impact of managing the budget gap i.e. other savings decisions.

These are key risks that are identified and will be managed proactively by ELT within the governance framework of the programme.

Implementing the Phase 4 VfM Programme and Approach

3.10 EY worked closely with the Executive Leadership Team (ELT) to review their findings and work through the possible opportunities and options for supporting the next phase of VfM to ensure success. In particular, ELT have reviewed officer governance arrangements to ensure that more time can be devoted by ELT to the collective management and oversight of the programme. A new senior officer structure has also been implemented within the Finance & Resources Directorate to better align support to the programme and make sure we are organised in the right way, with the right capacity to lead this and other linked changes.

3.11 ELT have also identified lead officers (SRO's) for each of the VfM opportunities together with project management support to help develop detailed project documents, business cases and project initiation plans. Finance and HR leads have also been assigned to each opportunity. Further consideration is being given to the appropriate resourcing for each opportunity as the business cases are developed and reviewed.

3.12 In setting up the arrangements for the next phase of the VfM programme and approach it is also recommended that a number of principles are adopted and rigorously adhered to in order to maximise the identified opportunities and ensure their achievement. These are described in more detail below:

Theme	**Principle**	**Rationale/Impact**
Decision-making	Members should have greater oversight of the programme on a cross-party basis.	Decisions can be made quicker with Members better sighted on delivery to inform decision-making.
Accountability	There should be clear lines of accountability for projects and the overall programme. Overall	The programme will have clearly defined governance and clear reporting lines, with managers being

Theme	Principle	Rationale/Impact
	accountability should sit with ELT.	personally responsible for successful delivery.
Programme discipline	The VfM projects should follow a programme discipline whereby projects will report into programme boards and links between projects are clearly identified and managed.	VfM projects will sit within an overarching VfM programme which will evaluate the projects, provide steer and escalate risks quickly for resolution.
Project delivery	Savings should be targeted in such a way that does not create double-counting over the ‘claiming’ of savings.	Responsibility for delivering each project will sit with the Senior Responsible Officer (SRO) in each Directorate with clear targets.
Attitude	The VfM programme should have credibility, sponsorship and visibility across the organisation through a clear commitment from senior leadership.	There will be no ‘opt out‘ from staff or services and there will be a risk and performance management approach to resolving obstacles and roadblocks to maintain the pace of delivery.

Resources and Savings

3.13 The potential resources for supporting the achievement of the programme and associated savings are set out in Appendix 1. This indicates that substantial resources are required if the programme is to be effectively mobilised, supported and driven at pace given the immediacy of the financial challenges facing the authority. The resources for supporting VfM opportunities and ‘enablers’ are discussed separately below.

Savings and Resources for VfM Opportunities:

3.14 In their high level business case EY recommended that a minimum resource investment of £2.4m would be needed to deliver savings of up to £11.4m. These resource assumptions and savings have been carefully scrutinised to maximise the use of existing resources and the current estimates indicate that circa £1.0m would be sufficient to mobilise and deliver the phase 4 VfM opportunities with likely savings of between £6.0m to £9.7m. However, of these resources, £0.3m for additional procurement capacity (across the corporate procurement and legal and audit teams) would need to be recurrent as this is about an ongoing higher level of work and support, not one-off interventions to make changes. This would be an ongoing commitment on the 2015/16 budget.

Savings and Resources for ‘Enablers’:

3.15 The resourcing and savings associated with ‘enablers’ needs more consideration as the detailed business cases are worked through. Ideally, the significant capital and revenue investments in Workstyles and ICT should work alongside the Digital Customer Experience (DiCE), Business Process Improvement (BPI), and People Plan & Culture Change enablers to achieve Modernisation. EY have suggested that organisations of this size attempting significant change on this scale would need to invest between £3m to £9m on these enablers depending on the scale of savings and efficiencies required. While there is already significant capital and revenue investment in Workstyles and ICT, there may therefore need to be greater investment in the enablers if substantial savings are to be achieved from Modernisation. Currently, a minimum additional resource requirement of £0.5m has been identified but further work will be undertaken to look at the resources needed to achieve savings of between £2.0m to £4.0m per annum from Modernisation.

3.16 Savings in the range of £8.0m to £13.7m could therefore be achievable with the resources identified. All resources will need to be kept under review to ensure, as mentioned earlier, that we do not compromise the opportunity presented through failing to resource the programme sufficiently.

Programme Delivery

3.17 To ensure the programme is properly supported and can maximise the identified opportunities we will need to finalise the detailed business cases for each area that flow from the overall high level business case to determine:

- Savings targets over the medium term;
- Resource requirements;
- Key milestones and timelines;
- Defined Benefits and Outcomes to be tracked and measured;
- Links and dependencies with other programmes;
- Risks and their mitigation.

3.18 The governance arrangements for the programme also need to be confirmed including Member engagement. To support the principles above and given the size and complexity of the programme and its importance to the organisation over the next 5 years, it is recommended that a cross-party group of Members have oversight of the programme and its delivery. Rather than create another board or panel and mindful of multiple demands on Member time, it is recommended that the current cross-party 'Budget Review Group' take a lead role in this oversight. However it is also proposed that alongside the particular finance expertise on that group there is broader membership from each party to ensure wider engagement and strong links to the other Corporate Plan priorities and service strategies.

3.19 It is recommended that this Extended Budget Review Group meets monthly, at least initially, possibly moving to bi-monthly meetings once the programme is established. The formal reporting line will be to Policy & Resources Committee through the Targeted Budget Management (TBM) reporting framework but a detailed update on the programme will be brought to the December meeting of this committee alongside the latest budget planning information for 2015/16. This report and that proposed for December will also be provided to the Audit & Standards Committee for information as they have an important role to play in ensuring the adequacy of the council's arrangements to secure economy, efficiency and effectiveness in the use of resources.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The council's VfM approach has made good progress to date but there is a need to build upon its success and generally increase momentum. Some service areas, in particular Children's Services have met and exceeded their VfM targets. One option, therefore, could be to continue with a service focus to further exploit this approach, however, this would not on its own meet the scale of the financial challenge, particularly as savings are becoming increasingly challenging to achieve in these areas.

4.2 The preferred approach is therefore to continue with the services generating the greatest VfM savings but to also exploit opportunities that cut across services including the potential for greater partnership working. It is hoped that the inclusion of the identified 'enablers' will provide the infrastructure to support delivery of the savings.

5 COMMUNITY ENGAGEMENT & CONSULTATION

5.1 None specifically in relation to this report.

6 CONCLUSION

6.1 The VfM opportunities and enablers identified for the phase 4 VfM programme will provide significant savings to help the council manage future budget gaps. These savings will principally be through efficiencies, better demand management, growing income, or achieving more cost effective outcomes (e.g. Early Help strategies). However, potential savings of between £8m to £14m will not close the projected budget gaps of £20m to £25m per annum over the next 5 years. The programme can therefore only complement other decisions and activity to help close the gap.

6.2 A governance structure with cross-party Member representation will provide robust oversight of this significant programme of work. Together with more focused leadership from ELT and clear lines of accountability for delivery, it signals the importance of the programme and supports transparency of decision making.

7 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 Savings and resource projections are set out in the body of the report as far as possible but there are still some questions to be answered once detailed business cases have been finalised. Appendix 1 sets out the known and estimated resource requirements to deliver the phase 4 VfM programme. Some of this investment will be recoverable through return on investment while some will need to be covered from the Modernisation Fund. In some areas, such as Adult Social Care and Children's Services, resources will be provided from core budgets, previously approved funds, or new funding sources (e.g. Better Care Fund). Some areas, for example ICT and Workstyles, include some capital funding and financing requirements which have been approved elsewhere. Currently, £1.450m additional resources are estimated to be required in 2014/15.

7.2 To fund the programme, the 2014/15 budget included an additional £0.350m for the Modernisation Fund for 2014/15 together with £0.700m for 2015/16. The resource requirement identified in the report, £1.450m, would therefore require early drawdown of the 2015/16 Modernisation Fund together with a contribution of approximately £0.400m from the 2013/14 revenue budget underspend reported elsewhere on the agenda.

7.3 Resourcing the programme in future will need to be considered in budget planning rounds. As mentioned in the report, additional investment in procurement capacity of £0.300m will be funded from one-off resources in 2014/15 but would need to be ongoing and needs to be built into the council's 2015/16 budget planning as a recurrent commitment. Further one-off resources are likely to be required to continue to support delivery of the phase 4 programme in 2015/16 and the remaining resources of £1.624m available from 2013/14 outturn could be set aside for this purpose.

7.4 The report identifies potential savings opportunities in the range of £8.0m to £13.7m per annum subject to further analysis of the potential savings relating to Modernisation 'enablers'. As mentioned, this will not fully address projected budget gaps of £20m to £25m per annum over the next 4 to 5 years.

7.5 The 2014/15 budget includes VfM savings targets of £8.9m as shown in Appendix 1. These will need to be delivered as the VfM programme transitions from phase 3 into phase 4 during 2014/15. The primary focus of phase 4 will therefore be on achieving savings from 2015/16 and beyond.

Finance Officer Consulted: Nigel Manvell Date: 23/05/14

Legal Implications:

7.6 Policy & Resources Committee is the appropriate decision-making body for the resolutions recommended in this report, given the sums involved and the strategic importance of the Value for Money programme to the council.

Lawyer Consulted: Oliver Dixon Date: 23/05/14

Equalities Implications:

7.7 The principle thrust of value for money is to improve either economy, effectiveness or efficiency of services or a combination of these. The value for money approach can therefore help in tackling inequality by enabling services to provide more for less money or maintain important services and outcomes with less money. Alternatively, services can be provided in a different way to achieve the same outcomes at a lower cost.

Sustainability Implications:

7.8 There are many areas of the Value for Money Phase 4 programme that will not only contribute to financial sustainability and resilience but will also reduce carbon emissions (e.g. Workstyles, Client Transport, ICT investment) and paper and printing volumes (e.g. DiCE and BPI).

SUPPORTING DOCUMENTATION

Appendices:

1. Value for Money Phase 4 Opportunities and ‘Enablers’